# CENTRAL INTELLIGENCE AGENCY

## INFORMATION REPORT

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#### SECRET SECURITY INFORMATION

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(FOR KEY SEE REVERSE)

- 1. Hungarian industry was almost entirely destroyed in World War II. The greatest damage was inflicted upon the heavy industry plants by the Allied Air Forces. At the end of the war with the aid of the Soviet Union and in compliance with Soviet directives, the new Hungarian People's Regime began the reorganization of Hungarian industry and, in particular, heavy industry. This process fell roughly into two periods:
  - (a) From 1945 through 1947, the foundations were laid for the reorganization of Hungarian heavy industry on a socialistic pattern, with the establishment of State controls in preparation for the total nationalization of the country's industrial enterprises.
  - (b) From January 1948 to February 1952, a further organization of Hungarian heavy industry was carried out in conformity with the principles of planned economy applied in Soviet industrial organization.
- As the first step in the reorganization of Hungarian heavy industry the new regime established two institutions:

The State Stock Company for Industrial Plants (Iparmuevek Kepviselete Allami Erdekeltsegue Reszvenytarsasag-IKART), a stock company which represented state interests in industrial plants.

The Heavy Industry Center (Nehezipari Koezpont -NIK).

These two institutions assumed control over all significant iron, steel and machine plants throughout the country, in addition to the following, which had been the largest prewar industrial senterprises in Hungary;

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The iron and steel works, as well as the coal mines, of Rimamurany and Salgotarjan \_4807N-1948E7.

The former Hungarian State Iron, Steel and Machine Plants.

The former Manfred Weiss iron, steel and metal works.

The former Ganz shipyards, Ganz railroad car plants, and Ganz machine plants.

- 3. Further reorganization of Hungarian industry took place in 1947 in order to bring it gradually more into conformity with the requirements of Socialist planned economy. The prewar Ministry for Industry (Iparuegyi Miniszterium) was reorganized into two Ministries, as the nationalization of industries progressed:
  - (a) The Heavy Industry Ministry (Nehezipari Miniszterium WNIM).
  - (b) The Light Industry Ministry (Koenyueipari Miniszterium).
- 4. On 1 Jan 48 the State Stock Company for Industrial Plants (IKART) was absorbed by the Heavy Industry Center (NIK). This arrangement proved to be uneconomical and NIK therefore was dissolved on 1 Jan 49, when it was decided to decentralize industry. Along with the idea of decentralization of industry, specialization in industry was emphasized at that time and a trend in this direction has been prevalent in Hungary ever since.
- 5. The dissolution of the Heavy Industry Center (NIK) gave rise to the following institutions:
  - (a) The Heavy Machine Industry Center (Nehezgepipari Koezpont NGK), for centralization of large iron industry plants,
  - (b) The Iron (or Ferrous) Metallurgy Center (Vaskohaszati Koezpont),
  - (c) The Machine Industry and Iron Metallurgy Divisions in the Heavy Industry Ministry (Nehezipari Miniszterium Gepipari es Vaskohaszati Foeosztaly)
  - (d) The General Machine Industry Center (Altalanos Gepipari Keczpont - AGK), for centralization of small iron industry plants.
- 6. Further reorganization took place in the following forms:
  - (a) The Heavy Machine Industry Center (NGK) was discontinued in September 1949. Its staff was distributed partly among industrial plant administrations and was partly absorbed by the Machine Industry Division of the Heavy Industry Ministry (NIM).
  - (b) The Heavy Industry Ministry (NIM) was split on 1 Jan 50 into:

The Foundries and Machine Industries Ministry (Koho es Gepipari Miniszterium - KGM), in which the Machine Industry Division of the former Ministry continued to exist under the name Iron Metallurgy Division,

The Mining and Power Ministry (Banya es Amergiauegyi Miniszterium - BEM).

SECRET

## SECRET/SECURITY INFORMATION

- (c) The Iron Metallurgy Center (Vaskohaszati Koezpont) was absorbed in August 1950 by the Foundries and Machine Industries Ministry, where it continued to exist as the Iron Metallurgy Division (Vaskohaszati Foeosztaly).
- (d) The General Machine Industry Center continued to exist as the Machine Industry Division in the Foundries and Machine Industries Ministry.
- 7. In February 1952 a new independent ministry was created from the Heavy Metal Industry Division of the Foundries and Machine Industries Ministry (KGM) to function under the cover name of the Medium Machine Industry Ministry (Koezepgepipari Miniszterium). Actually, this Ministry represents the industries producing war materials.
- 8. The industrial reorganization plan for 1952 provided for the following changes:
  - (a) Splitting of the Foundries and Machine Industries Ministry (KGM) into:

The Foundry Ministry (Koho Miniszterium),

The Machine Industry Ministry (Gepipari Miniszterium).

(b) Splitting of the Mining and Power Ministry (BEM) into:

The Ministry of Mines (Banya Miniszterium),

The Ministry of Power (Energiauegyi Miniszterium) ...

Splitting of the Ministry for Light Industry (Koenyueipari Miniszterium) into:

The Textile Industry Ministry (Textilipari Miniszterium),

The Leather Industry Ministry (Boeripari Ministerium).

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